

Budget File

18 MAR 1985

NOTE FOR: Director of Personnel

FROM:

[Redacted]

Deputy Director of Personnel for Employee Benefits and
Services

SUBJECT: Retirement

STAT

Bob,

1. You asked that we provide you figures on how much of a financial impact would result from incorporating Civil Service retirees into an Agency-wide retirement system. The following information gives you some appreciation for the dollar figures.

STAT

- a. FY-86 CIARDS Appropriation
FY-86 CSRS Appropriation

Total (if Agency administered entire program)

- b. FY-86 CIARDS Unfunded Liability
FY-86 CSRS Unfunded Liability

Total (if Agency administered entire program)

- c. FY-86 Total Budget for CIARDS:
7% contribution
Treasury Appropriation

Subtotal

FY-86 Total Budget for CSRS:
7% contribution
Treasury Appropriation

Subtotal

Grand Total

[Large empty rectangular box for data entry]

SUBJECT: Retirement

2. For your information, if the retirement systems were fully funded (which we know they are not), the current combined CIARD and CSR Systems at 40% cost of payroll would equal

The proposed Agency system that we have recommended at 34% of payroll would cost

STAT
STAT

STAT

*file in
Budget Paper
file*

ROUTING AND TRANSMITTAL SLIP

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building, Agency/Post)

Initials

Date

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MAR 27 1985

2. DD/OP

3/27

3. DI/OP

DI/OPS

29 MAR 1985

29 MAR 1985

4. PA/E

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Coordination	Justify	

REMARKS

6. EMP

7. SAS

*C/RD
GWO thought you
might be interested
in highlighted section*

FB

STAT

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SENATE COMMITTEE MASSACRE—The Senate Budget Committee has approved a deficit reduction reconciliation bill that, if enacted, would constitute the most devastating assault on government employees and retiree benefits in civil service history.

The only consolation is that it could have been worse and that the measure has a long way to go before it is approved by Congress and becomes law.

The Senate panel rejected President Reagan's request to raise the retirement age to 65 and it also refused to go along with his proposal to calculate annuities on the basis of the average high-five years salary instead of the present high-three. It also rejected his proposal for a 5 percent federal pay cut, but imposed a lesser pay cut of its own.

It adopted most of Reagan's other proposals.

Here is what the committee approved:

- A freeze on federal pay raises next year. Postal workers are not affected, since they are under a different pay system.

- Starting in 1987 federal pay raises would become effective each January instead of the preceding October. (Actually, this has been the case the past few years as either Congress and/or the President has delayed the raises, but the committee's action would make January the permanent pay raise date.)

- The committee estimated, based on Congressional Budget Office projections on what pay raises in the private sector will be, that federal employees would receive pay raises of 3.8 percent in 1987 and 4.7 percent in 1988.

- A freeze on next year's cost-of-living adjustment (COLA) for government civilian and military retirees.

- Starting in 1987 federal and postal retirees' COLAs would be limited to 2 percent less than the annual cost-of-living increase. For example, retirees would get a 3 percent adjustment if living costs rose 5 percent. The 2 percent reduction formula would not apply to military retirees.

- Employees' salary contributions for retirement benefits would be raised from the present 7 percent to 9 percent. This, of course, amounts to a two percent pay cut.

It would go into effect next year for postal workers and in 1987 for federal employees. The committee's rationale for this is that postal workers will get pay raises next year while federal workers would not.

- One year would be added to the time requirement for federal employees to receive their 3 percent within-grade (longevity) raises. Depending on their step in grade, employees now get these within-grade raises every one, two or three years. This would be increased to two, three and four years.

- Changes to reflect Social Security requirements—including terminating student survivor benefits at age 18, eliminating the \$121 minimum benefit guarantee, and raising retirement age survivor eligibility for spouses of those who die while in government service. However, there is confusion even among committee members as to what it actually approved in this provision and it is subject to further clarification and intent.

- Cutting federal employment by 4 percent or about 80,000 jobs through attrition.

- Requiring the U.S. Postal Service to pay its full share of contributions to the civil service retirement system.

Government employees and retirees should be very concerned over the committee's action, but they should not panic.

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The proposals are very controversial and could face tough sledding not only on the Senate floor but in the Democratic-controlled House. The House Budget Committee will meet soon on its own bill and it could be considerably different from that of the Senate. But some reductions in employee benefits seem inevitable. The job of government employee unions and retiree groups is to try to get as painless a deal as possible.

Employees and retirees can help greatly by contacting their Representatives and Senators and seeking their support in the battle ahead.

PAY-FOR-PERFORMANCE FIGHT HEATING UP AGAIN—On July 1, Congress' ban on implementing the Reagan administration's controversial pay-for-performance rules expires.

Office of Personnel Management Director Donald J. Devine has promised to activate the rules as soon as the ban lifts.

The question now is whether Congress will let him, or extend the prohibition.

Sources say it's likely a concerted attempt to continue the ban will be made in the House, probably once again as a rider to a spending bill. If such a bill were not ready for a vote by July 1, then the House could reimpose the expired ban a month or so later, said one source. "I doubt Devine could do much in that short a period to carry out the new rules," a House staffer added.

The significant unknown, however, is the Senate, where winning an extension of the ban could pose a much more difficult problem. There is a new cast of members and staffs to contend with.

The proposed rules would: extend the merit pay system, currently covering supervisors and managers in grades GS-13 through 15, to the entire general schedule which would require "fully successful" ratings to receive within-grade increases; alter reduction-in-force rules to limit the consideration of seniority in retention; narrow competitive areas for RIF "bumping" purposes; and make it tougher to appeal RIF actions.

OMB CHALLENGES GRACE COMMISSION'S FINDINGS—Although President Reagan is gung-ho over the Grace Commission's recommendations, his Office of Management and Budget is far more skeptical. The OMB says that the Grace group has exaggerated by tens of billions of dollars the cumulative savings from its recommendations. The OMB figures cover only 269 proposals from the Grace Commission that were included in Reagan's fiscal 1986 budget. The remainder of the 2,478 recommendations submitted by the Grace panel are undergoing further review.

Based on the OMB documents, savings from the 269 proposals are less than half claimed by the Grace Commission. Rather than the \$128.3 billion projected by the commission, OMB's analysis shows fiscal savings of only \$55.7 billion over the three fiscal years, 1986, 1987 and, 1988, were they to be adopted, which in itself is highly dubious.

The OMB's findings should provide support for claims by federal employee leaders and their allies in Congress that Grace-projected savings through cutbacks in federal employee pay and retirement and other benefits are overstated.

ADMINISTRATION SAYS "UNCLE" ON AGE DISCRIMINATION LEGAL FEES—The Reagan administration has dropped its challenge to a U.S. Court of Appeals for the District of Columbia ruling last November that federal employees who win cases on age discrimination charges are entitled to reimbursement of legal fees.

The Justice Department has withdrawn its appeal of the decision which awarded fees to Richard Krodel, a Social Security Administration management analyst who claimed he had been denied five separate promotions in 1976 and 1977 because of age discrimination.

(*Krodel v. Young*, 84-5083.)

EMPLOYEES MAY APPEAL ENFORCED LEAVE—Employees involuntarily placed on leave without pay while management decides whether they should be retired on disability may appeal such suspensions to the Merit Systems Protection Board, a federal court has ruled.

MSPB had rejected an appeal of suspension from a General Services Administration employee on the

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grounds it did not have jurisdiction because his suspension was not for "disciplinary" reasons, as specified by the Civil Service Reform Act.

The court decided, however, that to be appealable, these suspensions do not have to be disciplinary in the strictest sense of the word. They also may be imposed to maintain the "orderly working of the government" where danger to federal property, interests or fellow employees exists.

(Charles A. Thomas v. GSA, U.S. Court of Appeals for the Federal Circuit, No. 84-1487, March 4, 1985.)

REGIONAL OFFICE REDUCTIONS POSE SERIOUS POLITICAL PROBLEMS—The Reagan Administration's plan to trim or close federal regional centers is a political minefield. No member of Congress—Democrat or Republican—likes the idea of curtailing employment in his or her home district or state.

Rep. Alan Wheat, D-Mo., is no exception. Wheat recently told fellow members of Congress that merely downgrading the Kansas City federal regional center would have a "disastrous" financial impact on that metropolitan area. He said about 10,000 of the 28,000 federal jobs in the K.C. area would be eliminated or transferred to other centers. He estimated that about \$320 million in payroll would be lost as well.

Rounding out this grim, political prospect, Wheat said there also would be a significant loss of Kansas, Missouri and local revenues as the city's federal presence faded.

The administration has proposed downgrading some of its 10 regional centers and consolidating scores of smaller field offices. Legislation to give Congress the power to delay or block these plans is pending.

SENATE SPONSORSHIP OF FLEXTIME—Sen. John Chafee, R-R.I., has sponsored a bill (S-600) to make permanent the government's alternative work schedule (flexitime) program which is due to expire July 23 unless Congress extends it or makes it permanent. As we reported last week, Rep. Frank Wolf, R-Va., has sponsored a similar bill (HR-1525) in the House.

AGENCIES GIVEN WIDE LEEWAY IN JOB ASSIGNMENTS—The U.S. Court of Appeals for the Federal Circuit has issued a decision giving federal agencies "wide discretion" in determining which employees are best qualified to perform particular functions.

The case involved a Veterans Administration employee who challenged his demotion from a GS-11 to a GS-9 job in a reduction-in-force. He declared that the employee who "bumped" him was not as qualified as he and was improperly classified and that the agency should have restructured the workforce rather than conduct a RIF.

The court said there was no authority either for itself or the Merit Systems Protection Board to review the agency's decisions on "the classification of the bumping employee's position or his qualifications for that position." The court held that although the complainant may have been better qualified for the job, the other employee met Office of Personnel Management standards for the job. It then added that agencies are to be given "wide discretion" in these matters.

(Madsen v. Veterans Administration, No. 85-528.)

WHITES LOSE DISCRIMINATION-IN-REVERSE ARGUMENT—U.S. Supreme Court Justice Lewis F. Powell refused to block implementation of a consent decree that will provide promotions and \$3.75 million in damages for 240 black civilian employees who charged discrimination at the Warner Robins Air Logistics Center, Robins AFB, Ga.

The emergency request to block the plan was filed by white employees there who alleged reverse discrimination in a federal court-approved agreement to provide damages and promotions for the blacks.

(Howard v. McLucas; US Supreme Court, No. A-639, Feb. 21, 1985.)

A COSTLY SHRUG—The Federal Labor Relations Authority has ruled that an Army and Air Force Exchange Service employee forfeited his right to union representation when he shrugged his shoulders when told he was entitled to union representation at an investigatory interview about to begin.

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FLRA said the employee was aware that a union representative had been called and was on the way when he said "okay" and shrugged his shoulders after the security specialist told him "no one is here, so we'll begin." FLRA said the employee thus signaled his intention for the interview to start, although he had the option to wait for the arrival of the union representative. It thus dismissed an unfair labor practice charge against the agency.

(Army and Air Force Exchange Service, Rocky Mountain Area Exchange, Fort Carson, Colo. and AFGE Local 1345, Case No. 7-CA-30472.)

HUD CRACKS DOWN ON BAD DEBTS—The Department of Housing and Urban Development will garnishee the salaries or annuities of current federal or retired employees who have defaulted on government-insured home-improvement and mobile home loans. Under the Debt Collection Act of 1982, the government can take up to 15 percent of the debtor's salary or annuity until the debt is paid.

SOCIAL SECURITY REPEAL SOUGHT—Strongly backed by federal and postal employee unions, a bill (HR-1336) has been sponsored by Rep. Michael Bilirakis, R-Fla., to repeal Social Security coverage of employees who entered government after January 1, 1984. However, the bill's chances appear remote.

END TO MAIL MONOPOLY SOUGHT—Rep. Edwin Zschau, R-Calif., has sponsored a bill (HR-1387) to permit private companies to compete with the U.S. Postal Service in first class mail.

AGENCIES MUST NOTIFY EMPLOYEES ON JOB STANDARDS AND CRITICAL ELEMENTS—The Merit Systems Protection Board has ruled that federal employees have a substantive right to have their agencies properly communicate to them the performance standards and critical elements of their jobs.

Agencies' failure to properly communicate performance elements and standards violates a substantive employee right, the MSPB said. The Board added that other employee rights concerning the appraisal process have little value if workers are unaware of the elements and standards against which their performance is judged.

(Cross v. Air Force, MSPB Doc. No. BN0432831012, Dec. 18, 1984.)

SOME 145,000 FEDS ELIGIBLE FOR RETIREMENT—There are about 145,000 nonpostal federal workers who meet minimum age and service requirements to retire under normal conditions, according to the Office of Personnel Management.

This means they meet the minimum eligibility requirements for most federal occupations: age 55 with 30 years service; age 60 with 20 years; or age 62 with five years.

Similarly, there are 62,000 postal employees who meet the same criteria and could go out today with full (basic) retirement benefits.

There are about 2.1 million federal and 650,000 postal employees.

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